

PAKISTAN DEVELOPMENT UPDATE: GROWTH – A SHARED RESPONSIBILITY

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Pakistan Development Update: Growth – A Shared Responsibility

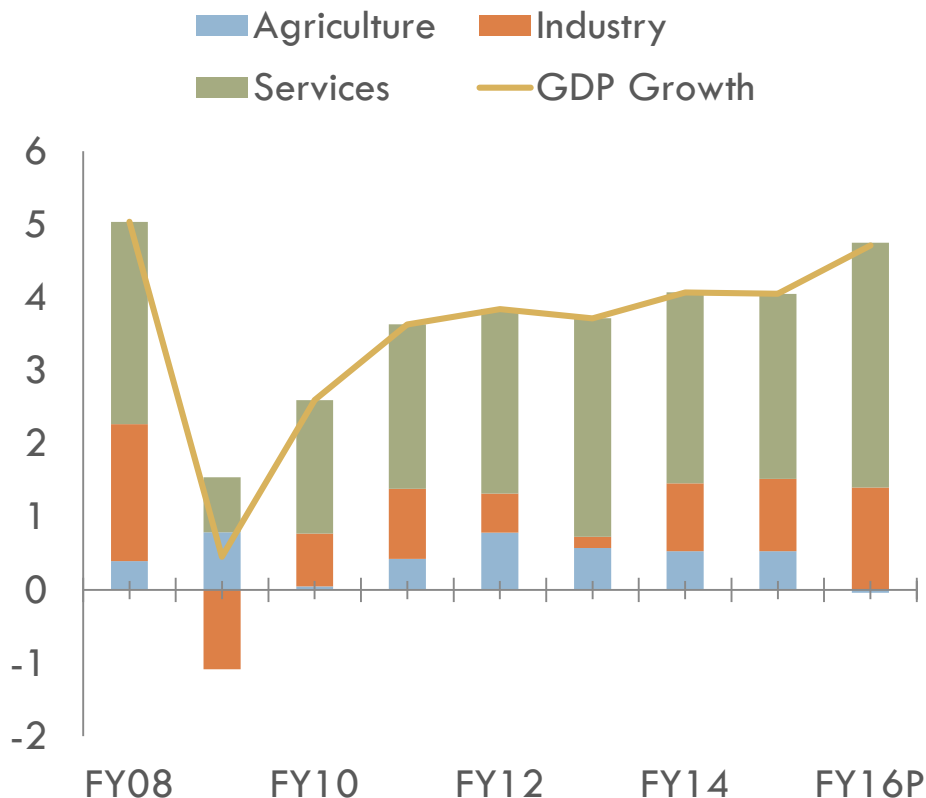
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- Pakistan's growth in FY17 is expected to strengthen further to 5.2%, again driven by consumption.
- But fiscal and external balances have started weakening since the end of the IMF EFF. Exports continue to decline.
- After making significant progress in macroeconomic stability, these worsening indicators suggest that a renewed push is required to maintain macroeconomic stability and continue with the structural reforms agenda.
- Growth is expected to accelerate in FY18 and FY19 but this will be dependent on renewed progress on structural reforms and further strengthening of the international economy

Growth is accelerating, driven by consumption

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Growth is largely driven by the services sector

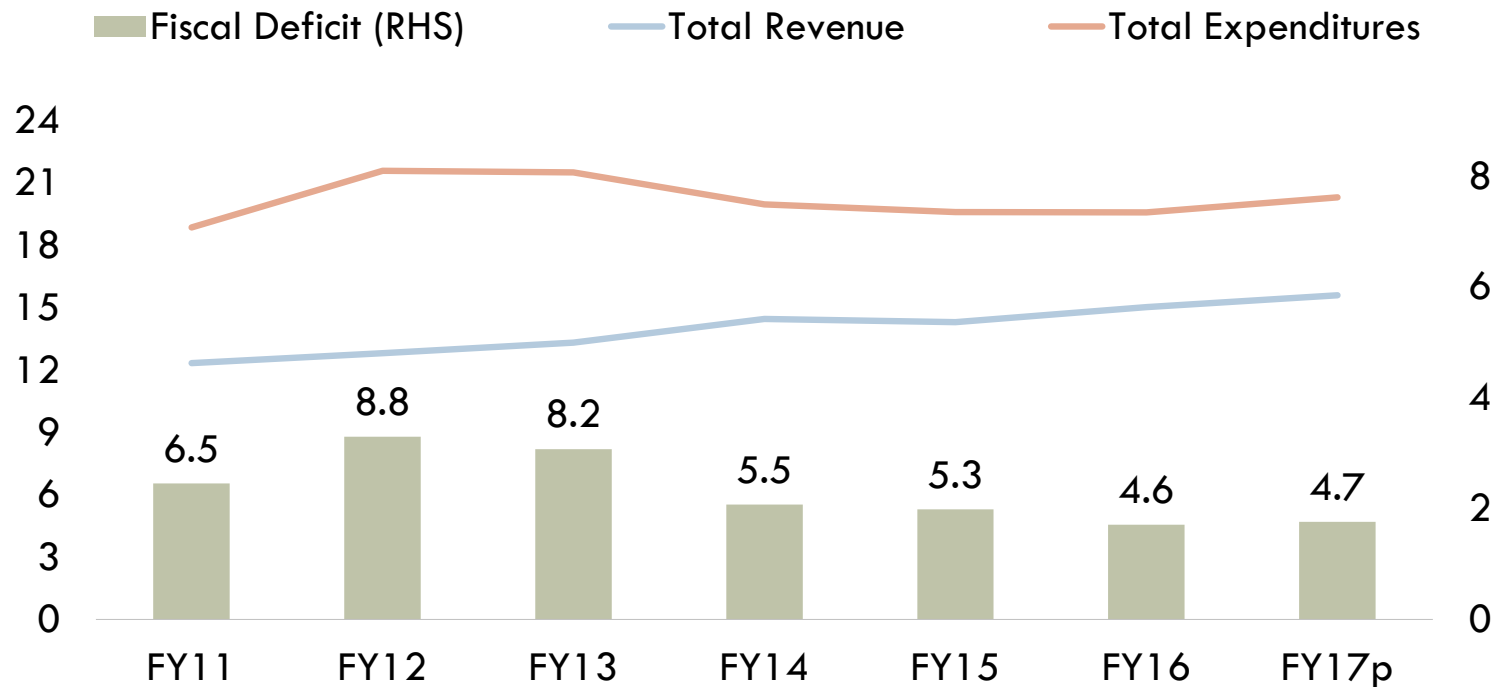


- The agriculture sector is recovering in FY17, expected to reach 3.4% growth in FY17
- Industry growth is slowing slightly (6.1% in FY17 from 6.8% in FY16)
- Services (59% of economy) continues to grow reliably at 5.6% in FY17
- Investment fell to 15.2 percent of GDP

Fiscal consolidation hit a speedbump in FY17

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Pakistan Consolidated Fiscal Operations (percent of GDP)

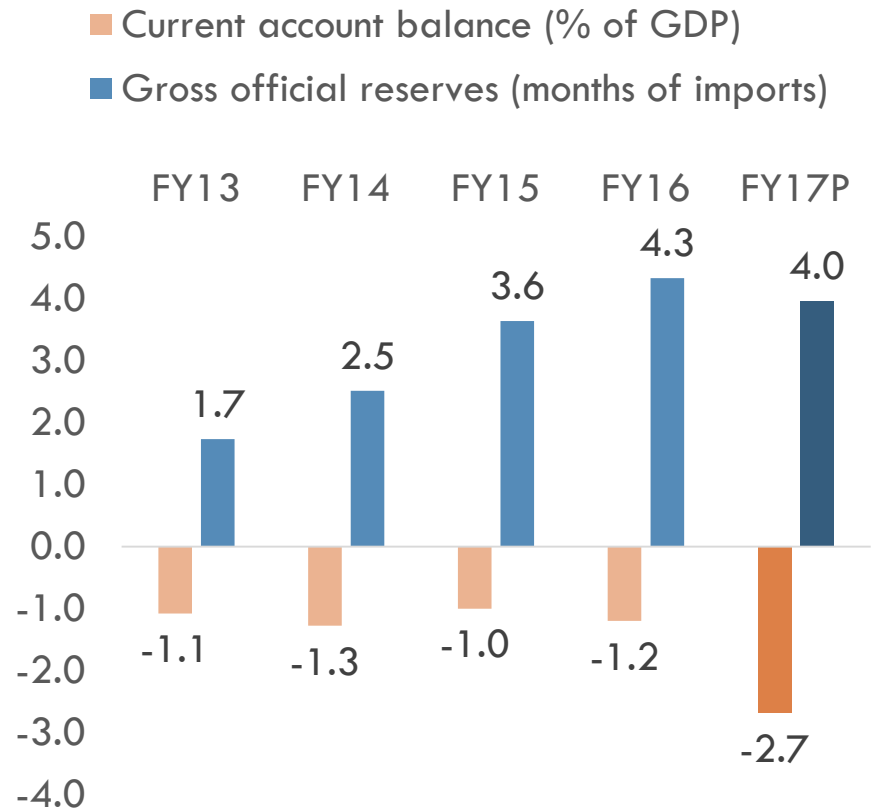


External balances also deteriorated in H1-FY17

Exports and remittances are declining while imports grow

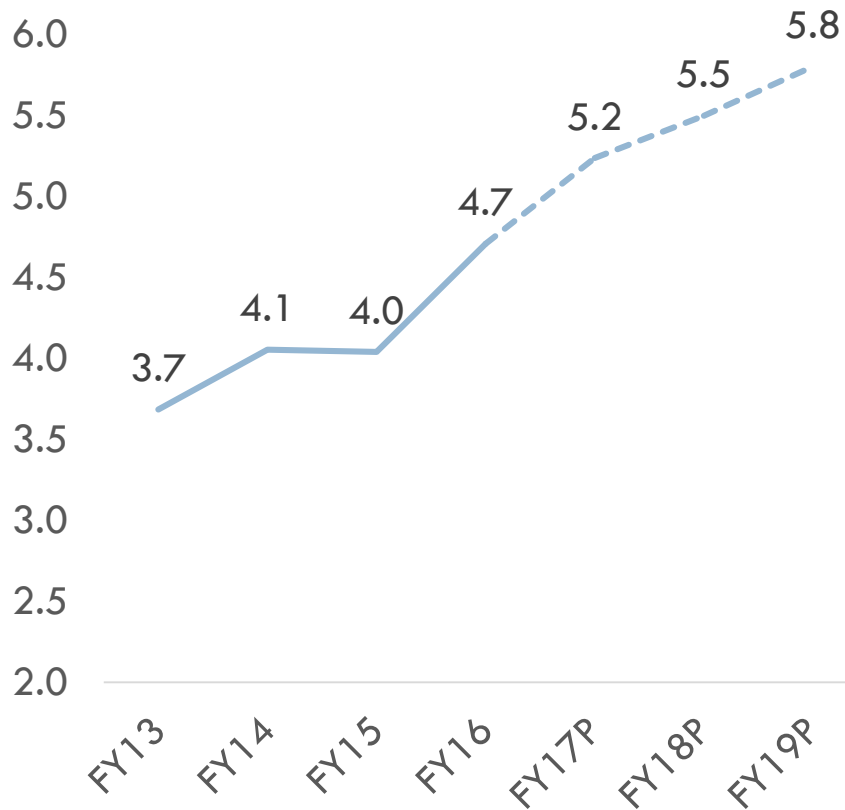


...so the current account deficit is increasing and reserves falling



Nonetheless, Pakistan is forecast to continue to grow

Pakistan's GDP growth (factor cost), actual and projected

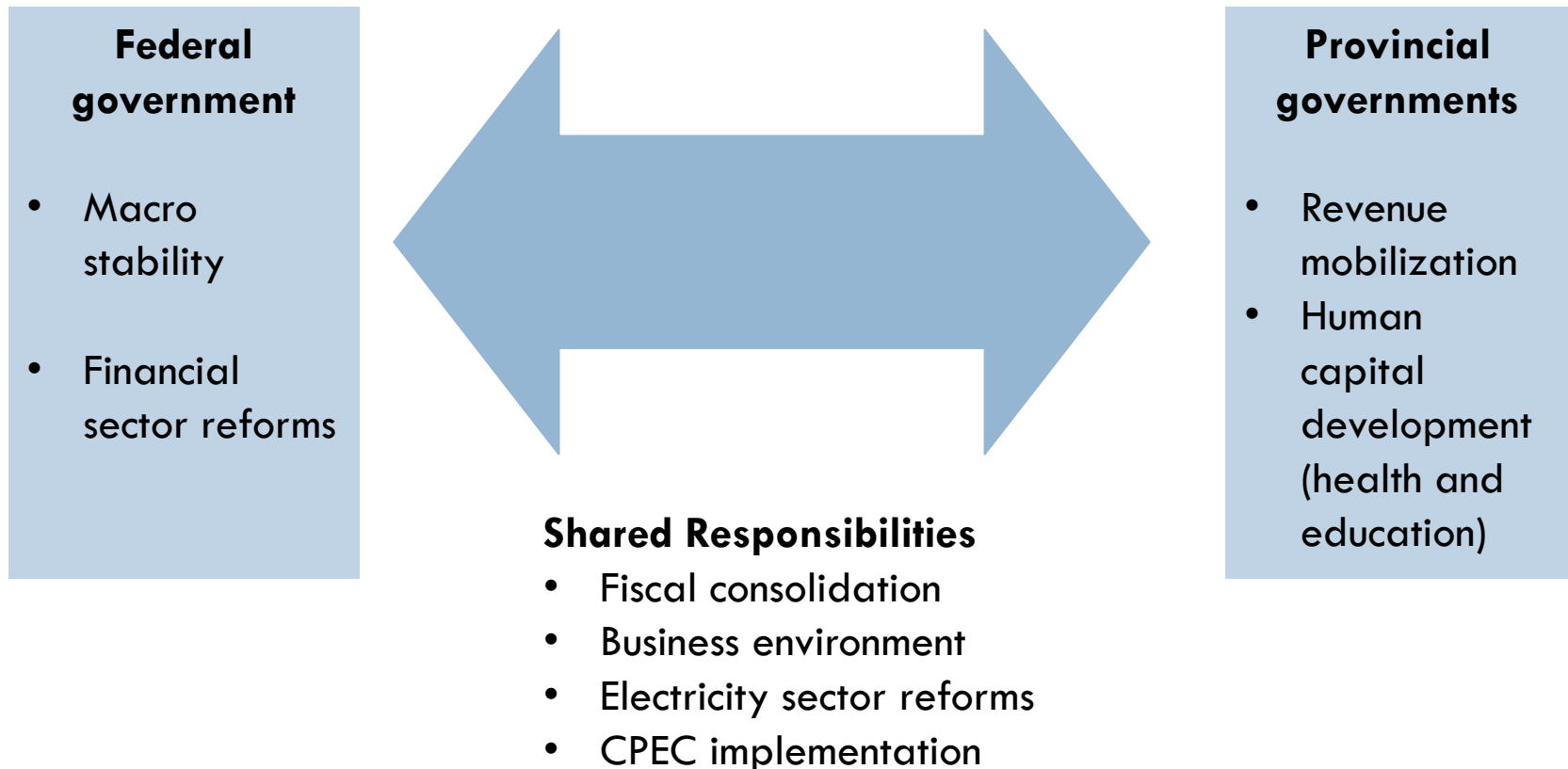


- Growth is expected to be driven by public and private consumption
- Investment is expected to increase steadily due to CPEC & other public investment
- On supply side, growth is expected to be supported by services and industry
- The current account deficit is expected to continue to widen and reserves to fall
- The fiscal deficit is expected to worsen in FY17 and FY18 (due to the election) before improving in FY19

Continued progress on structural reforms is crucial: federal and provincial governments need to work together

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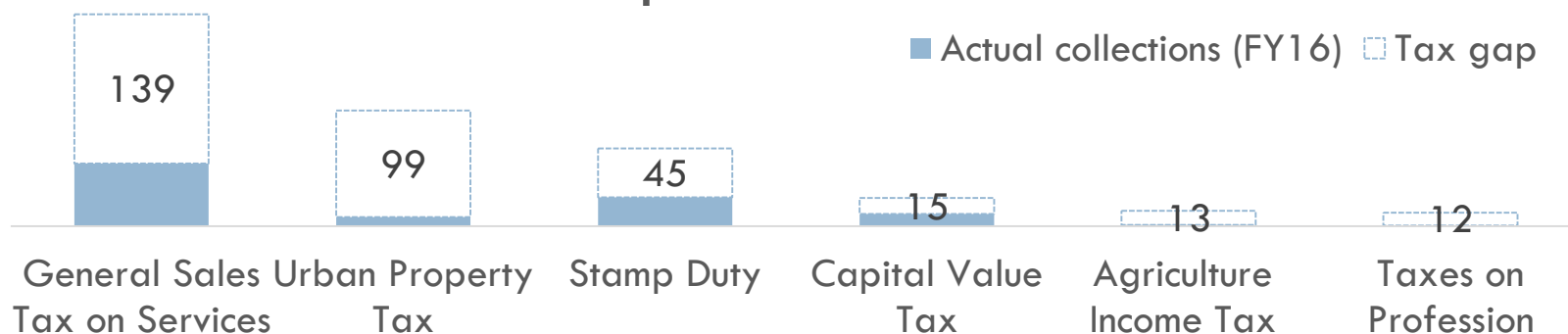
Responsibilities for economic reform agenda



Provinces have a role to play in fiscal consolidation

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Punjab's own-source revenue has enormous growth potential



Why is the tax gap so large?

- Jurisdictional overlaps
- Tax exemptions
- Low compliance
- Tax administration and poor coordination



Solutions

- Eliminating exemptions
- Improving definitions
- Expanding coverage of taxes
- Improve data quality, incl. property values
- Better facilitating tax payments
- Integrated databases
- Capacity development for PRA

Punjab is focusing on increasing labor productivity through investing in skills

Employment challenge

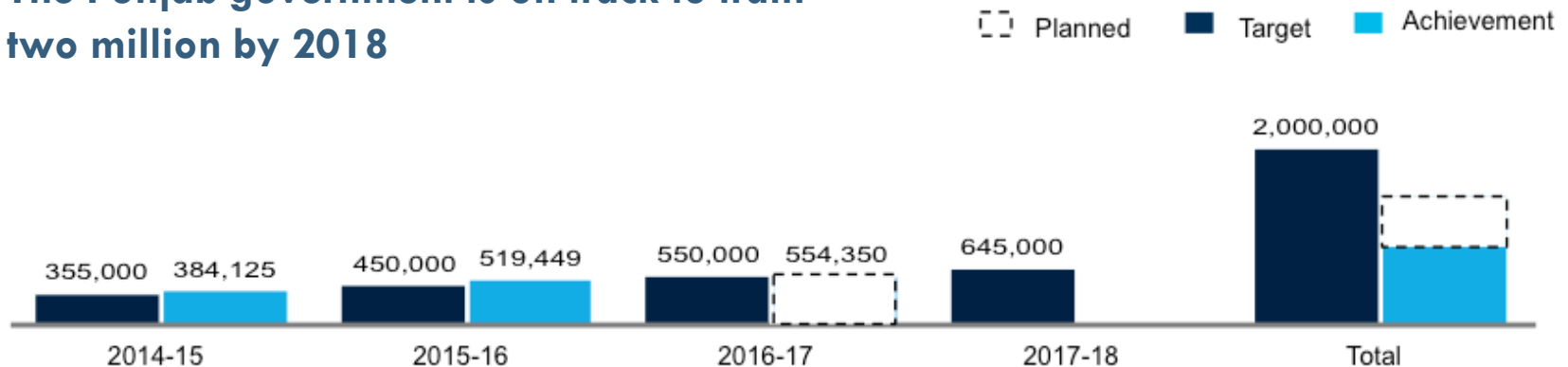
- Punjab jobs grew by 2.7% while labor force grew by 2.8% (1999-2014)
- Youth are more likely to be unemployed or informally employed—lack of skills is one driver



What needs to be done?

- ✓ Scale up training programs
- Ensure training is relevant and meets quality standards
- Trying innovative options to connect jobseekers with employers
- Tailored approaches for women and the poor

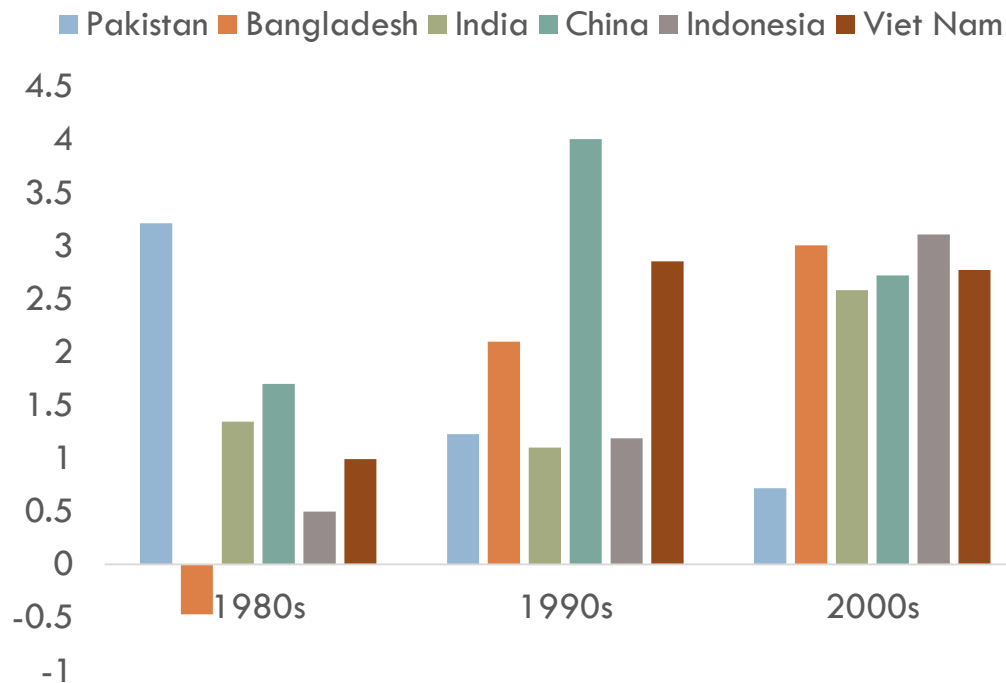
The Punjab government is on track to train two million by 2018



Pakistan's agricultural sector is falling behind comparator countries

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Annual growth in total factor productivity in agriculture (%)

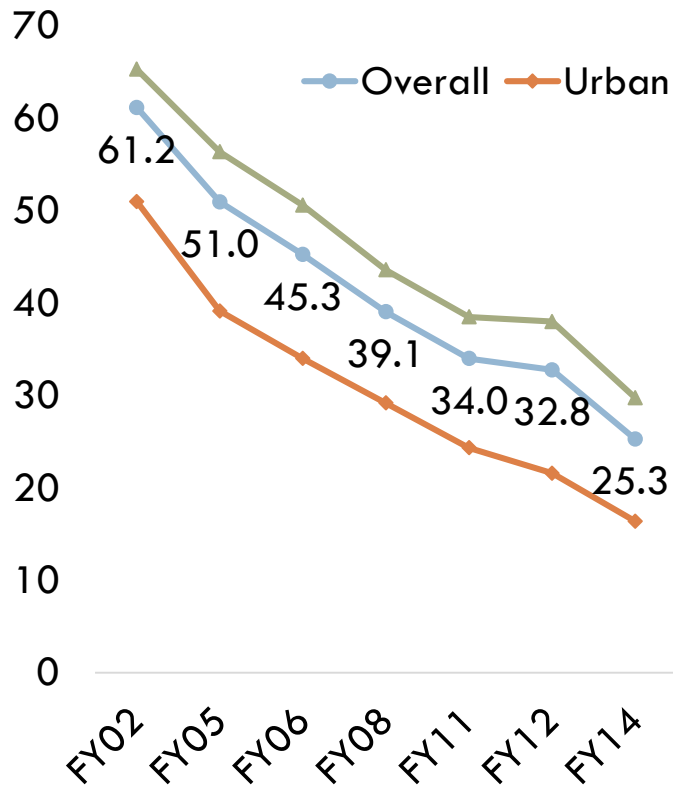


Agriculture growth is held back by:

- Low water availability and inefficient use of water
- Low crop yields and outdated farming methods
- Limited crop diversification

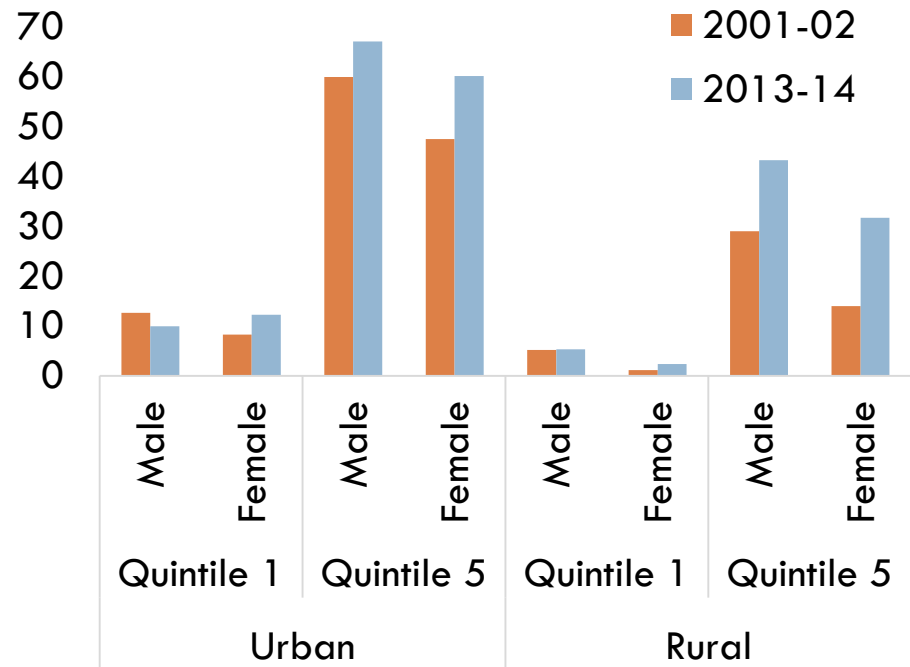
Sharing the gains from growth is also important—both monetary and human development

Punjab's poverty has fallen dramatically



...but human development gains have been less impressive—particularly for the poor

Completion of grade 10 among adults in Punjab



Thank you